

**EAGLE GROVE
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2011

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EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Randy Hansen	President	2011
Dean Shutt	Vice President	2011
Patricia Manues		2011
Erin Halverson		2013
Jon Rowen		2013

School Officials

Jess Toliver	Superintendent
Teresa Pohlman	District Secretary/ Treasurer

BRUCE D. FRINK

Certified Public Accountant

Member:

- American Institute of Certified Public Accountants

- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Payroll & Sales Tax Preparation
- IRS Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Financial Statement Preparation
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

Independent Auditor's Report

To the Board of Education of
Eagle Grove Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Eagle Grove Community School District, Eagle Grove, Iowa as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and each major fund of Eagle Grove Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

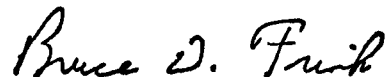
In accordance with Government Auditing Standards, we have also issued our report dated March 22, 2012 on our consideration of Eagle Grove Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 34 through 36 are not required parts of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

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Clarion, IA 50525

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Fax: (515) 532-3677
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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Eagle Grove Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplemental information included in Schedules 1 through 3, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



BRUCE D. FRINK
Certified Public Accountant

March 22, 2012

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

Eagle Grove Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$8,886,693 in fiscal year 2010 to \$9,184,838 in fiscal year 2011, while General Fund expenditures increased from \$8,193,857 in fiscal year 2010 to \$8,650,793 in fiscal year 2011.
- The increase in General Fund revenues was primarily attributable to increased local revenue sources. State revenues partially returned to 2009 levels. The increase in expenditures was due primarily to normal increases in payroll.
- The statewide sales, services and use tax is being used for debt repayment. No property taxes are being levied currently for debt services.
- The General Fund balance increased by over \$530,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Eagle Grove Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Eagle Grove Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the Student Activity Funds and a multiyear comparison of revenues and expenditures. In addition, the Schedule of Expenditures of Federal Awards provides detail of various federal programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Eagle Grove Community School District Annual Financial Report

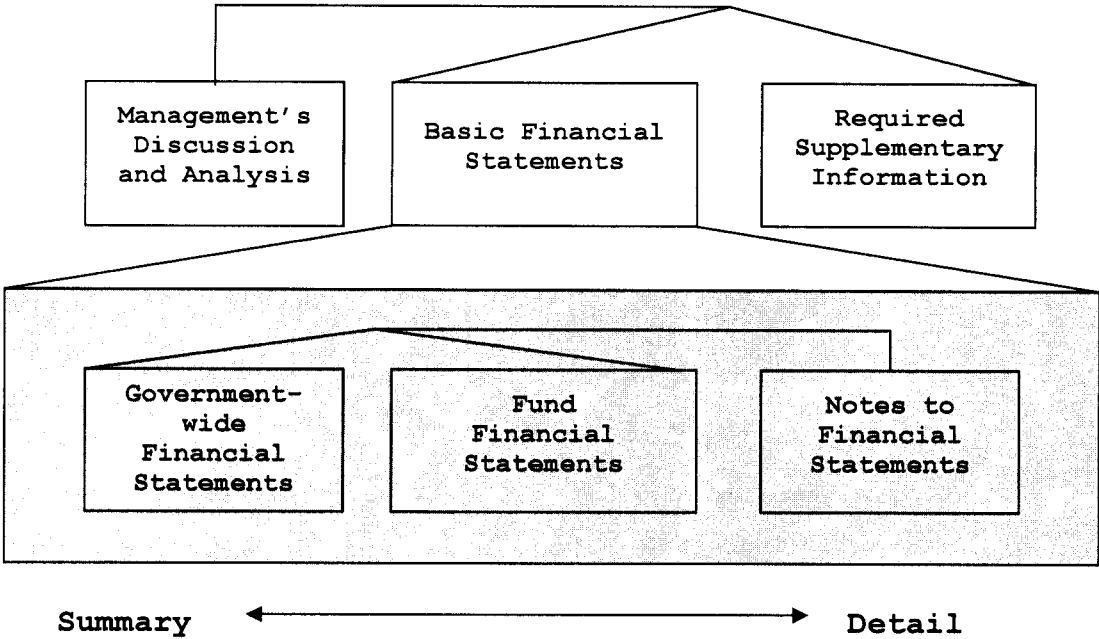


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activity the District operates similar to private businesses: food services
Required financial statements	<ul style="list-style-type: none"> . Statement of net assets . Statement of activities 	<ul style="list-style-type: none"> . Balance sheet . Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> . Statement of net assets . Statement of revenues, expenses and changes in fund net assets . Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District has elected to present all funds as "major" for clarity of presentation.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund, and Capital Projects Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2011 compared to the year ended 2010.

Figure A-3 Condensed Statement of Net Assets (Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Current assets	\$ 5,760	5,095	56	50	5,816	5,145	13.04%
Capital assets	9,658	9,968	7	8	9,665	9,976	-3.12%
Total assets	15,418	15,063	63	58	15,481	15,121	2.38%
Current liabilities	3,928	3,895	-	-	3,928	3,895	0.85%
Non-current liabilities	5,094	5,042	-	-	5,094	5,042	1.03%
Total liabilities	9,022	8,937	-	-	9,022	8,937	0.95%
Net Assets							
Invested in capital assets, net of related debt	5,098	5,148	7	8	5,105	5,156	-0.99%
Restricted	899	1,110	-	-	899	1,110	-19.01%
Unrestricted	399	(132)	56	50	455	(82)	554.88%
Total net assets	\$ 6,396	6,126	63	58	6,459	6,184	4.45%

Total net assets increased by 4%. The General Fund increased by over \$530,000 resulting in the increase in unrestricted net assets. Capital assets decreased slightly, but the District continues to invest funds into equipping and improving facilities.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4 Changes in Net Assets (Expressed in Thousands)							
Governmental Activities		Business Type Activities		Total District		Total Change	
2011	2010	2011	2010	2011	2010	2010-2011	
Revenues:							
Program revenues:							
Charges for service and sales	\$ 222	208	162	170	384	378	1.59%
Operating grants, contributions and restricted interest	1,943	2,417	261	233	2,204	2,650	-16.83%
General revenues:							
Property tax	3,765	3,352	-	-	3,765	3,352	12.32%
Income surtax	262	240	-	-	262	240	9.17%
Statewide sales, services and use tax	570	444	-	-	570	444	28.38%
Unrestricted state grants	3,461	3,181	-	-	3,461	3,181	8.80%
Unrestricted investment earnings	3	1	-	-	3	1	200.00%
Other	311	135	-	-	311	135	130.37%
Total revenues	<u>10,537</u>	<u>9,978</u>	<u>423</u>	<u>403</u>	<u>10,960</u>	<u>10,381</u>	<u>5.58%</u>
Program expenses:							
Governmental activities:							
Instruction	6,353	6,134	-	-	6,353	6,134	3.57%
Support services	2,549	2,249	-	-	2,549	2,249	13.34%
Non-instructional programs	21	18	417	403	438	421	4.04%
Other expenses	1,344	1,031	-	-	1,344	1,031	30.36%
Total expenses	<u>10,267</u>	<u>9,432</u>	<u>417</u>	<u>403</u>	<u>10,684</u>	<u>9,835</u>	<u>8.63%</u>
Change in net assets	<u>\$ 270</u>	<u>546</u>	<u>6</u>	<u>-</u>	<u>276</u>	<u>546</u>	<u>-49.45%</u>

Property tax and unrestricted state grants account for 66% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 83% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$10,536,411 and expenses were \$10,266,637 for the year ended June 30, 2011. The District's General Fund increased primarily due to cost containment measures.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenditures, for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-5						
Total and Net Cost of Governmental Activities						
(Expressed in Thousands)						
	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-2011	2011	2010	Change 2010-2011
Instruction	\$ 6,353	6,134	3.57%	4,556	3,879	17.45%
Support services	2,549	2,249	13.34%	2,537	2,232	13.66%
Noninstructional programs	21	18	16.67%	21	18	-16.67%
Other expenses	1,344	1,031	30.36%	987	677	45.79%
Totals	<u>\$ 10,267</u>	<u>9,432</u>	<u>8.85%</u>	<u>8,101</u>	<u>6,806</u>	<u>19.03%</u>

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$222,348.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,249,684.
- The net cost of governmental activities was financed with \$3,762,866 in property tax, \$3,461,489 in state foundation aid.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2011 were \$423,094 and expenses totaled \$417,516. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted, Eagle Grove Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,596,537, fifty-seven percent above last year's ending fund balances of \$1,014,983.

Governmental Fund Highlights

- The Physical Plant and Equipment Levy was used for regular costs as well as building projects.
- Statewide sales, services and use tax was used for property tax relief, debt repayment and infrastructure projects.

Proprietary Fund Highlights

The Nutrition Fund works to maintain a positive balance given increases in food and salary costs. The District has attempted to maintain prices at a reasonable level.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund, Debt Service, Capital Projects and Special Revenue Funds are not presented in the budgetary comparison on pages 34 and 35.

Legal Budgetary Highlights

The District's total actual receipts were approximately \$780,000 less than the total budgeted receipts. Decreases in state revenues were the main reason.

Total expenditures were less than budgeted due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year.

The District exceeded the budgeted amount in the other expenditures function, but did not exceed its General Fund unspent authorized budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2011, the District has invested more than \$9.6 million, net of accumulated depreciation, in a broad range of capital assets including school buildings, athletic facilities, central kitchen, maintenance and administrative buildings, computer and audiovisual equipment, maintenance equipment, school buses, library holdings and textbooks. Total depreciation expense for the year exceeded \$480,000.

Long-Term Debt

The District has \$4,560,000 in outstanding general obligation bonds. The bonds will be totally repaid with proceeds from the statewide sales, services and use tax in future years. Early retirement and postemployment benefits are more fully explained in the notes to financial statements.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District did not levy property taxes in fiscal year 2011 to pay for principal and interest on long-term debt.
- The District passed an Instructional Support Levy that began in fiscal year 2008.
- The District has been experiencing decreasing enrollment the past several years. Funding for the District is directly related to enrollment levels.
- Inadequate allowable growth prevents expansion of program.

- Iowa law requires that unsettled salary negotiations for teachers go to mandatory arbitration. Invariably arbitrated settlements are higher than current levels of allowable growth in funding (not including the budget cuts after the contracts have been settled and people have been hired).
- Health insurance costs continue to be a concern for the District. Increased rates based on usage have brought this issue to the forefront when calculating the District's budget.
- Once again un-funded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", and "GASB 34", to name a few.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Teresa Pohlman, District Secretary, Eagle Grove Community School District, 325 N Commercial, Eagle Grove, IA 50533.

Basic Financial Statements

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2011

	Governmental Activities	Business Type Activities School Nutrition	Total
Assets			
Cash and pooled investments	\$ 1,629,179	41,660	1,670,839
Receivables:			
Property tax:			
Current year	43,800	-	43,800
Succeeding year	3,626,417	-	3,626,417
Income surtax	251,228	-	251,228
Due from other governments	159,724	-	159,724
Other receivables	49,126	-	49,126
Inventories	-	14,821	14,821
Capital assets, net of accumulated depreciation	9,658,070	6,768	9,664,838
Total assets	15,417,544	63,249	15,480,793
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	140,369	-	140,369
Accrued interest payable	16,614	-	16,614
Deferred revenue:			
Succeeding year property tax	3,626,417	-	3,626,417
Federal programs	144,923	-	144,923
Long term liabilities:			
Portion due within one year:			
Bonds payable	270,000	-	270,000
Early retirement	101,198	-	101,198
Portion due after one year:			
Net OPEB liability	349,223	-	349,223
Early retirement	83,232	-	83,232
Bonds payable	4,290,000	-	4,290,000
Total liabilities	9,021,976	-	9,021,976
Net assets:			
Invested in capital assets, net of related debt	5,098,070	6,768	5,104,838
Restricted for:			
Categorical funding	170,463	-	
Student activities	67,367	-	
Management levy	29,745	-	
School infrastructure	628,884	-	
Physical plant and equipment levy	2,518	-	
Unrestricted	398,521	56,481	455,002
Total net assets	\$ 6,395,568	63,249	6,458,817

See notes to financial statements.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2011

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Operating Grants, Contributions				
	Charges for Service	and Restricted Interest	Governmental Activities	Business Type Activities	Total

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2011

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Operating Grants, Contributions and Restricted Interest			
	Charges for Service		Governmental Activities	Business Type Activities
Expenses				Total
Business type activities:				
Non-instructional programs:				
Nutrition services	417,516	162,189	-	5,578
Total	\$ 10,684,153	384,537	(8,101,449)	(8,095,871)
General Revenues:				
Property tax levied for:				
General purposes			\$ 3,319,606	-
Management fund			225,200	-
Capital outlay			218,060	-
Income surtax			261,745	-
Statewide sales, services and use tax			570,426	-
Unrestricted state grants			3,461,489	-
Unrestricted investment earnings			3,392	-
Other			311,305	-
Total general revenues			8,371,223	8,371,223
Change in net assets			269,774	5,578
Net assets beginning of year			6,125,794	57,671
Net assets end of year			\$ 6,395,568	63,249

* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2011

	General	Student Activity	Management Levy	Capital Projects				Total
				Statewide Sales	Physical Plant and Equipment	Use Tax	Levy	
Cash	\$ 952,861	67,367	27,122	581,829	-	-	-	1,629,179
Receivables:								
Property tax:								
Current year	38,659	-	2,623	-	2,518	-	-	43,800
Succeeding year	3,125,905	-	275,000	-	225,512	-	-	3,626,417
Income surtax	251,228	-	-	-	-	-	-	251,228
Due from other governments	112,800	-	-	46,924	-	-	-	159,724
Other receivables	48,995	-	-	131	-	-	-	49,126
Total assets	\$ 4,530,448	67,367	304,745	628,884	228,030	-	-	5,759,474

Assets

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2011

	General	Student Activity	Management Levy	Capital Projects				Total
				Statewide Sales	Use Tax	Physical Plant and Equipment	Levy	
Liabilities:								
Accounts payable	\$ 140,369	-	-	-	-	-	-	140,369
Deferred revenue:								
Succeeding year property tax	3,125,905	-	275,000	-	-	225,512	-	3,626,417
Income surtax	251,228	-	-	-	-	-	-	251,228
Federal programs	144,923	-	-	-	-	-	-	144,923
Total liabilities	3,662,425	-	275,000	-	-	225,512	-	4,162,937
Fund balances:								
Restricted for:								
Categorical funding	170,463	-	-	-	-	-	-	170,463
Student activities	-	67,367	-	-	-	-	-	67,367
Management levy	-	-	29,745	-	-	-	-	29,745
School infrastructure	-	-	-	628,884	-	-	-	628,884
Physical plant and equipment levy	-	-	-	-	-	2,518	-	2,518
Unassigned	697,560	-	-	-	-	-	-	697,560
Total fund balance	868,023	67,367	29,745	628,884	-	2,518	-	1,596,537
Total liabilities and fund balances	\$ 4,530,448	67,367	304,745	628,884	-	228,030	-	5,759,474

See notes to financial statements.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2011

Total fund balances of governmental funds (Exhibit C)	\$ 1,596,537
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Amounts reported for governmental activities in the Statements of Net Assets are different because:

Income surtax receivable at June 30, 2011 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Activities.	251,228
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	9,658,070
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Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(16,614)
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Long-term liabilities, including bonds payable and early retirement are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

General obligation bonds	\$ (4,560,000)	
Net OPEB liability	(349,223)	
Early retirement	(184,430)	(5,093,653)

Net assets of governmental activities (Exhibit A)	<u>\$ 6,395,568</u>
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EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2011

	General	Student Activity	Management Levy	Capital Projects				Debt Service	Total
				Statewide Sales Use Tax	Physical Plant and Equipment Levy				
Revenues:									
Local sources:									
Local tax	\$ 3,531,482	-	225,200	570,426	218,060			-	4,545,168
Tuition	222,348	-	-	-	-			-	222,348
Other	366,936	273,078	11,847	2,770	1			-	654,632
State sources	4,555,000	-	113	-	109			-	4,555,222
Federal sources	509,072	-	-	-	-			-	509,072
Total revenues	9,184,838	273,078	237,160	573,196	218,170			-	10,486,442
Expenditures:									
Instruction	5,718,012	255,222	67,774	-	-			-	6,041,008
Support services:									
Student services	226,454	-	-	-	-			-	226,454
Instructional staff services	574,544	-	-	-	-			-	574,544
Administration services	866,929	-	20,503	-	-			-	887,432
Operation and maintenance of plant services	547,229	-	104,260	-	-			-	651,489
Transportation services	343,597	-	12,759	-	28,128			-	384,484
	2,558,753	-	137,522	-	28,128			-	2,724,403
Non-instructional programs:									
Community service and education	20,907	-	-	-	-			-	20,907

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2011

	General	Student Activity	Management Levy	Capital Projects				Debt Service	Total
				Statewide Sales Services and Use Tax	Physical Plant and Equipment Levy				
Other expenditures:									
Facilities acquisition and construction	-	-	-	-	291,633			-	291,633
Long-term debt:									
Principal	-	-	-	-	-			260,000	260,000
Interest	-	-	-	-	-			208,466	208,466
Services	-	-	-	-	-			5,450	5,450
AEA flowthrough	353,121	-	-	-	-			-	353,121
	353,121	-	-	-	291,633			473,916	1,118,670
Total expenditures	8,650,793	255,222	205,296	-	319,761			473,916	9,904,988
Excess (deficiency) of revenues over (under) expenditures	534,045	17,856	31,864	573,196	(101,591)			(473,916)	581,454
Other financing sources (uses):									
Operating transfers in	-	-	-	-	379,353			473,916	853,269
Operating transfers (out)	-	-	-	(853,269)	-			-	(853,269)
Sale of property	100	-	-	-	-			-	100
	100	-	-	(853,269)	379,353			473,916	100
Change in fund balances	534,145	17,856	31,864	(280,073)	277,762			-	581,554
Fund balances beginning of year	333,878	49,511	(2,119)	908,957	(275,244)			-	1,014,983
Fund balances end of year	\$ 868,023	67,367	29,745	628,884	2,518			-	1,596,537

See notes to financial statements.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2011

Net change in fund balances - total governmental funds (Exhibit E) \$ 581,554

**Amounts reported for governmental activities in the Statement of
Activities are different because:**

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities this represents the change from the prior fiscal year.

49,869

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 175,230	
Depreciation expense	<u>(485,644)</u>	(310,414)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not effect the Statement of Activities.

Repaid	260,000
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Some expenses reported in the Statement of Activities do not require the use current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	(137,330)	
Other postemployment benefits	<u>(174,663)</u>	(311,993)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

758

Change in net assets of governmental activities (Exhibit B) \$ 269,774

See notes to financial statements.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds

Year ended June 30, 2011

	<u>School Nutrition</u>
Operating revenue:	
Local sources:	
Charges for services	<u>\$ 162,189</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	116,569
Benefits	35,390
Services	14,806
Supplies	248,680
Depreciation	<u>2,071</u>
Total operating expenses	<u>417,516</u>
Operating (loss)	<u>(255,327)</u>
Non-operating revenues:	
Interest on investments	150
State sources	3,405
Federal sources	<u>257,350</u>
	<u>260,905</u>
Change in fund net assets	5,578
Net assets beginning of year	<u>57,671</u>
Net assets end of year	<u><u>\$ 63,249</u></u>

See notes to financial statements.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2011

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of services	\$ 162,189
Cash payments to employees for services	(151,959)
Cash payments to suppliers for goods or services	<u>(241,602)</u>
Net cash (used by) operating activities	<u>(231,372)</u>
Cash flows from non-capital financing activities:	
State grants received	3,405
Federal grants received	<u>227,050</u>
Net cash provided by non-capital financing activities	<u>230,455</u>
Cash flows from capital financing activities	
Acquisition of capital assets	(1,168)
Cash flows from investing activities:	
Interest on investments	<u>150</u>
Net increase in cash and cash equivalents	(1,935)
Cash and cash equivalents beginning of year	<u>43,595</u>
Cash and cash equivalents end of year	<u><u>\$ 41,660</u></u>
Reconciliation of operating (loss) to net cash (used by) operating activities:	
Operating (loss)	\$ (255,327)
Adjustments to reconcile operating (loss) to net cash (used by) operating activities:	
Depreciation	2,071
Commodities used	30,300
(Decrease) in inventory	<u>(8,416)</u>
	<u><u>\$ (231,372)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received federal commodities valued at \$30,300.

See notes to financial statements.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

Eagle Grove Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Eagle Grove, Iowa, and agricultural territory in Wright, Webster and Humboldt Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Eagle Grove Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Eagle Grove Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Wright County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds. The District has elected to present all funds as major funds for clarity of presentation.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund, Physical Plant and Equipment Levy Fund are utilized to account for the maintenance and equipping of the District's facilities.

The Capital Projects Fund, Statewide Sales, Services and Use Tax is used to account for all resources used in the acquisition and construction of capital facilities.

The District's major proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment and intangibles are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years. No intangible assets were noted that exceeded the threshold amount.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Intangible assets	50,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Intangible assets	5-10 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities is deemed to be immaterial at June 30, 2011.

Long-Term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned - All amounts not included in other spendable classifications.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures exceeded the budgeted amount in the other expenditures function. The District did not exceed its General Fund unspent authorized budget.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2011.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 131,192	-	-	131,192
Capital assets being depreciated:				
Improvements other than buildings	226,145	-	-	226,145
Buildings	13,301,751	-	-	13,301,751
Furniture and Equipment	2,846,369	175,230	-	3,021,599
Total capital assets being depreciated	16,374,265	175,230	-	16,549,495
Less accumulated depreciation for:				
Improvements other than buildings	209,999	3,526	-	213,525
Buildings	3,706,767	292,024	-	3,998,791
Furniture and Equipment	2,620,207	190,094	-	2,810,301
Total accumulated depreciation	6,536,973	485,644	-	7,022,617
Total capital assets being depreciated, net	9,837,292	(310,414)	-	9,526,878
Governmental activities, capital assets, net	\$ 9,968,484	(310,414)	-	9,658,070
Business type activities:				
Furniture and Equipment	\$ 23,719	1,168	-	24,887
Less accumulated depreciation	16,048	2,071	-	18,119
Business type activities capital assets, net	\$ 7,671	(903)	-	6,768
Depreciation expense was charged to the following functions:				
Governmental activities:				
Unallocated				\$ 485,644
Business type activities:				
Food service operations				\$ 2,071

(4) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2011 is as follows:

	Balance Beginning Year	Additions	Reductions	Balance End of Year	Due Within One Year
Net OPEB Liability	\$ 174,560	174,663	-	349,223	-
GO Bonds Payable	4,820,000	-	260,000	4,560,000	270,000
Early Retirement	47,100	184,430	47,100	184,430	101,198
Total	\$5,041,660	359,093	307,100	5,093,653	371,198

Bonds Payable

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	3.00%	\$ 270,000	199,366	469,366
2013	3.00	280,000	188,566	468,566
2014	3.00	300,000	174,566	474,566
2015	3.00	305,000	159,566	464,566
2016	3.00	320,000	147,824	467,824
2017	3.00	335,000	135,024	470,024
2018	3.00	345,000	121,456	466,456
2019	3.00	360,000	107,225	467,225
2020	3.00	375,000	91,925	466,925
2021	3.00	390,000	75,613	465,613
2022	3.00	410,000	58,258	468,258
2023	3.00	425,000	39,807	464,807
2024	3.00	445,000	20,470	465,470
Total		<u>\$4,560,000</u>	<u>1,519,666</u>	<u>6,079,666</u>

(5) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% of their annual salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$324,529, \$324,878, and \$299,618 respectively, equal to the required contributions for each year.

(6) Risk Management

Eagle Grove Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$353,121 for year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(8) Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is \$10,000 plus a portion of their health insurance for up to 3 years. Early retirement benefits paid during the year ended June 30, 2011 totaled \$47,100.

(9) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for the warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2010-11A warrants was 1.20% plus the one-month LIBOR rate, adjusted daily. The interest rate on the Series 2010-11B warrants is a variable rate, calculated daily based upon the LIBOR rate plus 120 basis points. A summary of the District's ISCAP activity for the year ended June 30, 2011 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Balance Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance End of Year</u>
2010-11A	6/30/10	6/23/11	\$ -	-	-	-
2010-11B	1/26/11	1/25/12	-	-	-	-
Total			\$ -	-	-	-

During the year ended June 30, 2011, the District paid \$2,205 of interest on the ISCAP warrants.

(10) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 96 active and 5 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which result in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefits plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$194,574
Interest on net OPEB obligation	4,364
Adjustment to annual required contribution	(14,743)
Annual OPEB cost	184,195
Contributions made	(9,532)
Increase in net OPEB obligation	174,663
Net OPEB obligation beginning of year	174,560
Net OPEB obligation end of year	\$349,223

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$9,532 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$182,306	4.2%	\$174,560
June 30, 2011	\$194,574	4.9%	\$349,223

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$1,598,782, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,598,782. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$5,057,000 and the ratio of the UAAL to covered payroll was 31.6%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from information provided by the District.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(11) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>Capital Projects, Physical Plant and Equipment Levy</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010, as previously reported	\$ -	(275,244)
Change in fund type classification per implementation of GASB Statement No. 54	<u>(275,244)</u>	<u>275,244</u>
Balances July 1, 2010, as restated	\$ <u>(275,244)</u>	<u>-</u>

Required Supplementary Information

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2011

	Governmental Fund Types	Proprietary Fund Type	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
Revenues:						
Local sources	\$ 5,422,148	162,339	5,584,487	5,444,607	5,444,607	139,880
State sources	4,555,222	3,405	4,558,627	5,027,927	5,027,927	(469,300)
Federal sources	509,072	257,350	766,422	972,000	972,000	(205,578)
Total revenues	<u>10,486,442</u>	<u>423,094</u>	<u>10,909,536</u>	<u>11,444,534</u>	<u>11,444,534</u>	<u>(534,998)</u>
Expenditures/Expenses:						
Instruction	6,041,008	-	6,041,008	6,414,524	6,414,524	373,516
Support services	2,724,403	-	2,724,403	3,288,862	3,288,862	564,459
Non-instructional programs	20,907	417,516	438,423	608,612	608,612	170,189
Other expenditures	1,118,670	-	1,118,670	577,737	577,737	(540,933)
Total expenditures/expenses	<u>9,904,988</u>	<u>417,516</u>	<u>10,322,504</u>	<u>10,889,735</u>	<u>10,889,735</u>	<u>567,231</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	581,454	5,578	587,032	554,799	554,799	32,233
Other financing sources (uses)	<u>100</u>	<u>-</u>	<u>100</u>	<u>(473,466)</u>	<u>(473,466)</u>	<u>473,566</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	581,554	5,578	587,132	81,333	81,333	505,799
Balance beginning of year	<u>1,014,983</u>	<u>57,671</u>	<u>1,072,654</u>	<u>574,731</u>	<u>574,731</u>	<u>497,923</u>
Balance end of year	<u>\$ 1,596,537</u>	<u>63,249</u>	<u>1,659,786</u>	<u>656,064</u>	<u>656,064</u>	<u>1,003,722</u>

See accompanying independent auditor's report.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Note to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2011, expenditures exceeded the amount budgeted in the other expenditures function. The District did not exceed the General Fund unspent authorized budget.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	\$0	\$1,599	\$1,599	0.0%	\$4,960	32.2%
2011	Jul 1, 2009	\$0	\$1,599	\$1,599	0.0%	\$5,057	31.6%

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

Other Supplementary Information

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
HS Musical	\$ 3,697	3,127	6,111	713
HS Speech/Drama	242	-	-	242
Trip Fund/Music Department	1,214	12,881	10,287	3,808
Music Concession Account	4,807	13,116	17,923	-
HS Music Account	3,109	23,302	16,089	10,322
General Athletic Account	(12,503)	19,075	6,572	-
Concessions	660	57	92	625
Weighlifting	250	-	-	250
Athletic Uniforms	436	-	(149)	585
Athletic Resale Account	150	-	150	-
HS Boys Basketball	-	4,027	4,027	-
MS Boys Basketball	-	360	360	-
Boys Basketball Camp	(115)	-	(115)	-
HS Football	-	10,638	10,638	-
MS Football	-	310	310	-
Football Camp	2,290	10,610	9,647	3,253
Baseball	-	3,454	3,454	-
Baseball Camp	713	320	320	713
HS Cross Country	-	633	633	-
HS Cross Country Extracurricular	1,710	377	794	1,293
HS Boys Track	-	2,677	2,677	-
HS Boys Track Camp	(266)	30	(236)	-
MS Boys Track	-	391	391	-
HS Boys Golf	-	1,093	1,093	-
HS Boys Golf Camp	535	1,004	-	1,539
HS Wrestling	-	5,996	5,996	-
HS Wrestling Camp	420	80	415	85
MS Wrestling	-	135	135	-
HS Girls Basketball	-	3,679	3,679	-
Girls Basketball Camp	619	1,276	1,728	167
MS Girls Basketball	-	360	360	-
Volleyball Camp	928	2,505	2,547	886
HS Volleyball	-	3,530	3,530	-
MS Volleyball	-	697	697	-
Softball	-	4,020	4,020	-
Softball Camp	440	3,000	2,507	933
HS Girls Cross Country	-	1,184	1,184	-
HS Girls Cross Country Extracurricular	(16)	360	344	-
HS Girls Track	-	2,464	2,464	-
MS Girls Track	-	446	446	-
HS Girls Golf	-	931	931	-
HS Girls Golf Camp	345	313	279	379

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
HS Annual	(15,703)	1,480	(14,223)	-
Book Fair	1,166	6,291	6,407	1,050
Student Extracurricular	789	585	585	789
HS Student Fundraising	8,268	6,120	6,635	7,753
Adult Activity Tickets	-	-	-	-
Special Olympics	(103)	740	68	569
MS Student Senate	12,131	26,884	30,872	8,143
MS Student Fundraising	2,097	883	12,968	(9,988)
Elementary Student Fundraising	4,346	6,267	7,940	2,673
Destination Imagination	540	-	-	540
Cheerleaders	-	5,849	5,849	-
Drill Team	330	25,842	21,182	4,990
FFA	618	8,231	4,973	3,876
Spanish Club	8,236	2,141	5,013	5,364
National Honor Society	988	5,888	5,469	1,407
FBLA	2,404	22,219	22,242	2,381
FCCLA	1,223	652	1,235	640
HS Student Senate	807	6,634	6,909	532
Health Fund	-	-	-	-
FCS Businesses	3,477	2,193	1,781	3,889
Robert Blue School Yearbook	3,827	945	1,245	3,527
Class of 2013	1,569	25	30	1,564
Class of 2014	-	141	35	106
Class of 2012	1,208	4,139	5,270	77
Class of 2009	118	-	118	-
Class of 2010	692	-	-	692
Class of 2011	818	471	289	1,000
General Activity	-	-	-	-
Totals	<u>\$ 49,511</u>	<u>273,078</u>	<u>255,222</u>	<u>67,367</u>

See accompanying independent auditor's report.

EAGLE GROVE COMMUNITY SCHOOL DISTRICTSchedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Eight Years

	Modified Accrual Basis							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$ 4,545,168	4,016,623	3,864,910	3,714,402	3,415,934	3,021,844	2,742,246	2,674,602
Tuition	222,348	202,561	200,552	153,399	155,590	138,627	125,970	75,470
Other	654,632	528,738	531,107	931,412	601,514	474,317	789,654	536,334
State sources	4,555,222	4,256,625	4,716,189	4,578,364	4,373,571	4,129,322	4,498,530	4,007,474
Federal sources	509,072	954,696	301,262	446,280	503,406	650,792	303,023	304,138
Total	<u>\$ 10,486,442</u>	<u>9,959,243</u>	<u>9,614,020</u>	<u>9,823,857</u>	<u>9,050,015</u>	<u>8,414,902</u>	<u>8,459,423</u>	<u>7,598,018</u>
Expenditures:								
Instruction	\$ 6,041,008	5,927,846	5,824,414	5,640,039	5,498,933	5,165,387	4,705,343	4,521,003
Support services:								
Student	226,454	192,508	185,593	183,056	201,185	186,211	252,973	274,259
Instructional staff	574,544	389,257	420,163	394,818	372,808	326,432	420,245	393,046
Administration	887,432	903,747	790,151	1,369,699	996,747	915,737	880,991	976,983
Operation and maintenance of plant	651,489	601,659	593,304	679,055	797,636	718,919	679,021	581,850
Transportation	384,484	265,094	408,963	363,824	289,766	365,263	254,764	280,667
Non-instructional programs	20,907	18,427	20,096	175,824	244,747	238,275	289,015	252,935
Other expenditures:								
Facilities acquisition	291,633	463,118	420,054	266,149	1,682,711	4,722,310	1,526,687	93,694
Debt service:								
Principal	260,000	255,000	250,000	235,000	225,000	231,000	257,000	22,000
Interest and services	213,916	215,966	223,316	230,366	237,316	244,045	231,385	2,826
AEA flowthrough	353,121	352,900	311,957	301,638	293,439	277,832	277,089	278,690
Total	<u>\$ 9,904,988</u>	<u>9,585,522</u>	<u>9,448,011</u>	<u>9,839,468</u>	<u>10,840,288</u>	<u>13,391,411</u>	<u>9,774,513</u>	<u>7,677,953</u>

See accompanying independent auditor's report.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY11	\$ 38,588
Food Distribution (non-cash)	10.555	FY11	30,300
National School Lunch Program	10.555	FY11	179,409
Summer Food Program for Children	10.559	FY11	<u>9,053</u>
			<u>257,350</u>
Child and Adult Care Food Program	10.558	FY11	4,040
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY11	148,677
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY11	60,152
Improving Teacher Quality States Grants	84.367	FY11	37,767
Grants for Assessments and Related Activities	84.369	FY11	5,005
Vocational Education - Basic Grants to States	84.048	FY11	7,765
ARRA - State Fiscal Stabilization Fund (SFSF) Education State Grants, Recovery Act	84.394	FY11	48,016
ARRA - State Fiscal Stabilization Fund (SFSF) Government Services, Recovery Act	84.397	FY11	40,444
Education Jobs Fund	84.410	FY11	38,339
Area Education Agency 8:			
Special Education - Grants to States (IDEA Part B)	84.027	FY11	<u>43,626</u>
Total			<u>\$ 691,181</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Eagle Grove Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

BRUCE D. FRINK

Certified Public Accountant

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation
 - Year Round Tax Planning
 - Payroll & Sales Tax Preparation
 - I.R.S. Representation
 - Monthly/Quarterly Write-Up
 - Data Processing Services
 - Payroll Preparation
 - Financial Statement Preparation
 - Bank Loan Assistance
- Plus:
- Over 30 years of Expertise and Experience
 - Evenings & Saturdays Available by Appointment
 - Extended Hours During Tax Season

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

To the Board of Education of the
Eagle Grove Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major of Eagle Grove Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 22, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Eagle Grove Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Eagle Grove Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Eagle Grove Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-11 and II-B-11 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified no items which we consider to be significant deficiencies.

Compliance and Other Matters

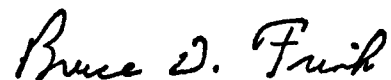
As part of obtaining reasonable assurance about whether Eagle Grove Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Eagle Grove Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Eagle Grove Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Eagle Grove Community School District and other parties to whom Eagle Grove Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Eagle Grove Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK
Certified Public Accountant

March 22, 2012

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

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- Data Processing Services
- Payroll Preparation
- Financial Statement Preparation
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of
Eagle Grove Community School District:

Compliance

We have audited the compliance of Eagle Grove Community School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Eagle Grove Community School District's major federal programs for the year ended June 30, 2011. Eagle Grove Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Eagle Grove Community School District's management. Our responsibility is to express an opinion on Eagle Grove Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Eagle Grove Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Eagle Grove Community School District's compliance with those requirements.

In our opinion, Eagle Grove Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

The management of Eagle Grove Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Eagle Grove Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Eagle Grove Community School District's internal control over compliance.

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Clarion, IA 50525

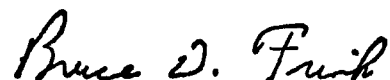
Phone: (515) 532-6659
Fax: (515) 532-3677
bruce@frinkcpa.com

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-11 to be a material weakness.

Eagle Grove Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Eagle Grove Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Eagle Grove Community School District and other parties to whom Eagle Grove Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



BRUCE D. FRINK
Certified Public Accountant

March 22, 2011

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered programs:
 - CFDA Number 84.010 - Title I Grants to Local Educational Programs
 - CFDA Number 84.389 - ARRA - Title I Grants to Local Educational Agencies, Recovery Act
 - CFDA Number 10.553: School Breakfast Program
 - CFDA Number 10.555: National School Lunch Program
 - CFDA Number 10.559: Summer Meal Program for Children
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Eagle Grove Community School District did not qualify as a low-risk auditee.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

II-A-11 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although the District does a fine job of dividing incompatible duties among existing personnel, the District Secretary still has the ability to override the system without the knowledge of any other personnel.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

II-B-11 Auditor Drafting of the Financial Statements and Related Footnote Disclosures - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 112, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy, we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 84.010: Title I Grant to Local Education Agencies

CFDA Number 84.389: ARRA - Title I Grants to Local Educational Agencies, Recovery Act

Federal Award Year: 2011

U.S. Department of Education

Passed through Iowa Department of Education

CFDA Number 10.553: School Breakfast Program

CFDA Number 10.555: National School Lunch Program

CFDA Number 10.559: Summer Meal Program for Children

Federal Award Year: 2011

US Department of Agriculture

Passed through Iowa Department of Education

III-A-11 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although the District does a fine job of dividing incompatible duties among existing personnel, the District Secretary still has the ability to override the system without the knowledge of any other personnel.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-11 Certified Budget - Expenditures for the year ended June 30, 2011, exceeded the certified budgeted amount in the other expenditures function. The District did not exceed its General Fund unspent authorized budget.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed budget.

Response - Future budgets will be amended in a timely manner and in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting:
(continued)

- IV-B-11 Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-11 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-11 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-E-11 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-F-11 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- IV-G-11 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Jon Rowen Board Member	Supplies	\$5,749

In accordance with Chapter 279.7A of the Code of Iowa, the transactions with Mr. Rowen exceed the \$2,500 limit allowed by Iowa law.

Recommendation - The District should consult legal counsel regarding these expenditures to ensure compliance with the Code of Iowa.

Response - We will review these on an annual basis and consult with our attorney when needed.

Conclusion - Response accepted.

- IV-H-11 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.
- IV-I-11 Certified Enrollment - The number of basic resident students reported to the Iowa Department of Education on line 7 of the Certified Enrollment Certification Form of October 2010 was understated. The District's certified enrollment count omitted 1 additional student on line 3. This resulted in understating the total actual enrollment at line 7 by 1 student.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - We will contact Iowa Department of Education and the Department of Management.

Conclusion - Response accepted.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting:
(continued)

- IV-J-11 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-K-11 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-11 Statewide sales, services and use tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 908,957
Revenues/transfers in:		
Sales tax revenues	\$570,426	
Other local revenues	<u>2,770</u>	<u>573,196</u>
		1,482,153
Expenditures/transfers out:		
Transfers to other funds:		
Other transfers	379,353	
Debt service fund	<u>473,916</u>	<u>853,269</u>
Ending balance		\$ <u>628,884</u>

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

	Rate of Levy Reduction Per \$1,000 Of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	<u>\$2.20</u>	<u>\$473,916</u>

- IV-M-11 Deficit Balance - Several student activity accounts had deficit balances at June 30, 2011.

Recommendation - The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

Response - The District is continuing to investigate alternatives to eliminate deficits in the student activity accounts at the end of the fiscal year.

Conclusion - Response accepted.